# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:1865
ANSWERED ON:24.08.2007
CASH RESERVE RATIO
Adhalrao Patil Shri Shivaji;Adsul Shri Anandrao Vithoba;Verma Shri Ravi Prakash

**Will the Minister of FINANCE be pleased to state:**

(a) whether the Reserve Bank of India has recently hiked the Cash Reserve Ratio (CRR) to control inflation;

(b) if so, the details thereof;

(c) the number of times the RBI has hiked CRR during the last one year; and

(d) the effect of increase in CRR in checking inflation?

## Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): Yes, Sir. On a review of the current liquidity situation, Reserve Bank of India (RBI), in its First Quarter Review of Annual Monetary Policy for the year 2007-08, decided to increase Cash Reserve Ratio (CRR) of scheduled commercial banks by 50 basis points from 6.50% to 7.00% of their net Demand and Time liabilities (NDTL) with effect from the fortnight beginning 4th August, 2007.

(c) & (d): On review of prevailing macro-economic and monetary conditions as also to contain the inflationary pressure to the extent it is attributable to monetary conditions, Reserve Bank of India (RBI), vide notifications dated 11.12.2006, 14.02.2007, 04.04.2007 and 31.07.2007, raised the CRR of the banks from 5.00% (effective from 2ntl October, 2004) to 700% with effect from 4th August, 2007.